

Testimony of

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Joint Hearing of the

**U.S. House of Representatives Committee on Government Reform
and
U.S. House of Representatives Committee on Small Business**

on

“Alaska Native Corporations (ANCs) – Federal Contract Awards”

June 21, 2006

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Chairman Davis and Chairman Manzullo and distinguished Members of both Committees.

It is an honor to speak before you about Department of Defense (DoD) interactions with Alaska Native Corporations (ANCs). ANCs are a part of a talented pool of entrepreneurs and business people and by law are considered part of the small business community. The important contributions made by small business have firmly established them as an integral part of DoD's warfighting mission and the American economy.

The Department of Defense is committed to providing our men and women in uniform with the best technology, products and services available. The Department looks to dependable small businesses, including ANC-owned firms participating in the Small Business Administration's (SBA) 8(a) Business Development Program, as suppliers of the innovation needed to deliver technology into the hands of our warfighters.

Congress has enacted legislation over the years enabling the Department to offer greater procurement opportunities for small business. I thank you for this.

Through the authority you have granted and the guidance you have provided, we have been able to leverage the capabilities of small business in a number of technological areas such as composite materials, modeling and simulation, unmanned aerial vehicles, and robotics. This has served to strengthen the defense industrial base. I am also pleased to note that the DoD small business program has had a record-breaking performance for Fiscal Year 2005. In Fiscal Year 2005, 24.445% of DoD's awards or \$52.9B were made to small business.

Legislative Influences on DoD's Administration of 8(a) ANC Awards

Now let me address your specific area of interest relative to 8(a) ANC firms participating in the Small Business Administration's (SBA) 8(a) Business Development Program.

The following three key pieces of legislation set forth the parameters for doing business with 8(a) ANCs:

- The Small Business Act
- The Alaska Native Claims Settlement Act
- The Business Opportunity Development Reform Act

I will address each of these individually.

The Small Business Act

Section 8(a) of the Small Business Act, enacted in 1968, created the 8(a) Program. This program is a resource used by DoD and other Federal Agencies to assist in developing small businesses that are owned by socially and economically disadvantaged individuals. The goal of the 8(a) Program is to help eligible small disadvantaged firms become independently competitive in the American economy through business development.

The Alaska Native Claims Settlement Act

In 1971, Congress enacted the Alaska Native Claims Settlement Act to resolve long-standing aboriginal land claims and to foster economic growth for Alaska Natives. This legislation created Alaska Native Corporations, which became the means for distributing land and monetary compensation to Alaska Natives in lieu

of a reservation system. As of December 2005, there are 13 regional corporations and 182 village, urban, and group corporations.

The Business Opportunity Development Reform Act

Section 303 of the Business Opportunity Development Reform Act of 1988 amended the Small Business Act as follows:

“A contract opportunity offered for award pursuant to this subsection shall be awarded on the basis of competition restricted to eligible program participants if...

- (I) there is a reasonable expectation that at least two eligible Program participants will submit offers and that award can be made at a fair market price, and
- (II) the anticipated award price of the contract (including options) will exceed \$5,000,000 in the case of a contract opportunity assigned a standard industrial classification code for manufacturing and \$3,000,000 (including options) in the case of all other contract opportunities...”

Section 602 of the Business Opportunity Development Act states these dollar thresholds “...shall not apply to Program participants that are owned and controlled by economically disadvantaged Indian tribes...”

In other words, the Business Opportunity Development Reform Act of 1988 limits sole source authority for traditional 8(a) Program participants to \$5M for manufacturing and to \$3M for other good and services. Importantly, for the purposes of this hearing, the

Act permits concerns that are owned by either tribes of Alaskan Native Corporations to receive 8(a) sole source contracts beyond these dollar thresholds.

Conclusion

I recognize that Congress has an interest in the legal privileges available to and the part they play in the DoD small business program. I have described the special procurement advantages that Congress has extended to 8(a) ANCs. These legislative advantages are part of the mosaic of opportunities afforded to various disadvantaged suppliers seeking Government contracts. My office's mission is to ensure that our Department's acquisition system affords every small business seeking DoD contracts every privilege they are entitled to under the law.

I look forward to your questions.